State of Washington
Department of Labor & Industries

Summary Report

Chapter 1

Project to Improve the Quality of Independent Medical Examinations

Downloadable Version Part 1 of 3

Med Fx, LLC
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Executive Summary and Recommendations for Improvement

This is a summary report of a study of the independent medical examination (IME) process conducted by MedFx, LLC for the State of Washington Department of Labor & Industries (L&I). The purpose of the study is to improve the quality of IMEs to better serve the injured worker, employer, attending physician, and L&I.

What Distinguishes L&I

L&I stands out in the workers' compensation insurance field in three main ways:

A large number of IMEs. L&I obtained approximately 30,000 IMEs in calendar year 2000. The vast majority – estimated at 80% -- of these examinations are performed primarily to obtain ratings as part of the claims closure process. Other jurisdictions use other techniques for that purpose.

A heavy reliance on IME brokers. A group of intermediary companies that we call brokers or IME vendors handle many of the clinical and administrative tasks in the IME procurement process, and provide about 95% of IMEs for L&I. This situation is not common in other states or with other claims payers.

A large majority of panel (multi-examiner) exams. A panel IME consists of a single examination conducted and reported on by 2 or more examiners. The majority of L&I's IMEs -- about 65% -- are panel exams. Other states and payers tend to reserve the use of panel examinations to a very small number of very complex claims.

How Stakeholders Define Quality in an IME

Stakeholder interviewees defined a "high-quality IME" as one having the following attributes and outcomes:

- Perceived by primary stakeholders as humane, thorough, expert, reasonable, and objective
- An adequate, accurate, and appropriate patient assessment
- A logical opinion derived from a patient assessment and sound medical reasoning
- Meets expectations for format and content
- Is effective, e.g.
    - Clarifies situation and perceptions
    - Answers questions
    - Provides impartial statement of worker's condition and future needs
    - Both opinion and examiner are credible in court

Expectations That Must Be Met for an IME to be of High Quality

Based on our understanding of the IME process, its perceived purpose and the shortcomings identified during the stakeholder interviews, we established 6 expectations for a "best practice" IME process. They are:

1. IMEs accurately and completely answer questions asked by the claim manager.
2. A reliable and consistent process exists for administering and obtaining high quality IMEs.
3. The injured worker is treated with dignity and respect.
4. Attending physicians find IMEs useful, accurate and credible.
5. IMEs are performed and reported in a manner consistent with L&I rules, regulations, and guidelines.
6. IMEs are performed by a qualified, competent and credible pool of examiners.

Conclusions That Can Be Drawn About the Current Process

In general, we conclude that requests for IMEs and/or the report provided in response to the requests:

- Are too standardized to provide real value
- Request unnecessary information
- Only partially answer the questions asked
- Are part of a slow, cumbersome process
- Include only limited quality management
- Leave a significant number of workers with the feeling of being poorly treated
- Are not consistent with the incomplete template provided by L&I

There are numerous opportunities for improving the IME process in Washington. There are specific problems occurring at each step in the process so that it:

- creates at least one problem for the majority of injured workers,
- fails to consistently deliver appropriate materials to the examining doctor, and
- fails to consistently deliver high quality IME reports back to the claim manager.

Recommendations for Improving the Quality of IMEs in Washington

The prioritization teams reviewed the findings of the research, discussed the improvement options and prioritized the recommendations to management and the Workers' Compensation Advisory Committee (WCAC). The final recommendations, as submitted to the department, are presented below. Some of the recommendations are segregated into short-term (can be accomplished in 12 months or less) and long-term options (can be accomplished in 12 – 36 months) depending on the resources required to implement the change and the impact of other aspects of L&I operations.

Procurement Recommendations

- Contract with a few external vendors for administrative services including examiner recruiting, organizing the full and complete medical records, performance-based credentialing and training of IME examiners and clinical quality management

- Hold agreements directly with physicians or physician-owned cooperatives for clinical services and have physicians agree on appointment time and site with the injured worker
- Modify fee schedule to include time-based components and separate codes for physician reporting
- Revise fee code descriptions to include occupational and logic / rationale components

Recommendations for IME Requests

- Department staff to initiate telephonic contact with injured worker to notify of impending scheduling and reasons for exam
- Scheduler will select and notify physician that IME needs to be arranged within a certain timeframe
- Move to single examiner exams except in those cases with multi-system involvement (Department is responsible for defining conditions and developing criteria)
- Initiate focused quality improvement project with claim managers to:
    - Focus questions to need and time in case
    - Modify standard questions to focus on specific information needed
    - Require clear medical and disability summary by Claim Manager
- Review WACs to provide claim manager flexibility in requesting IME information
- Revise Handbook(s) to include explanation of logic / rationale, etc.

The following recommendations affecting IME requests were classified as longer-term (multi-year) activities:

- Develop electronic scheduling capability linked to physician's calendar to notify that IME needs to be arranged within a certain timeframe
- Electronic transmission of records/documents
- Build internal electronic system to select specific physicians

Recommendations for Working with Attending Physicians

- Conduct focused quality improvement project to increase likelihood that the attending physician's office staff is sharing the notice of the IME with the attending physician
- Enforce requirement that APs submit information on case status, ability to work, need for further treatment, description of impairments
- Increase training opportunities for APs by the Department

The following recommendations for working with attending physicians were classified as longer-term (multi-year) activities:

- Increase APs' provision of objective medical information, functional abilities
- Give attending physicians the option of:
    - Performing the impairment rating
    - Providing descriptive information for the impairment rating

Recommendations for the Size and Quality of Examiner Pool

- L&I to explore the potential of performance-based and selective credentialing
- Solicit IME examiner nominations from medical societies for consideration
- Require and implement external training on report requirements, and give feedback on report writing, causality analysis, ability to work, explanation of logic / rationale, etc.

Recommendations for the Treatment of Injured Workers

- Require that exam sites meet criteria to be established by L&I (Criteria should allow for exams in private offices or third-party managed sites, process to include inspections and feedback of sites by L&I)
- Create a process to answer questions raised by the injured worker during the IME process or exam that other parties, e.g. IME examiner, could or should not answer

- Solicit injured worker assistance in obtaining AP compliance with Department information requests
- Improve communications to ensure clear, uniform communications to all injured workers about the:
    - Purpose of the exam,
    - Exam process, and
    - Differences between IMEs and visits for diagnosis and treatment

Recommendations for Quality Management and Improvement

- Audit and quality requirements should be codified in WACs, e.g. exam sites and facilities
- Strengthen L&I's ability to take action on examiners failing to meet Department rules and policies
- Contract or hire appropriate staff to systematically audit IME reports for quality
- Capture data on IME examiners via requests/bills, quality audits in easily retrievable form (establish unique provider identification number)
- L&I to provide statistical feedback to examiners and vendors regularly (profiling)
- Require IME physician statement regarding positive identification of injured worker in IME report
- Contract or hire appropriate staff to complete satisfaction surveys of injured worker, attending physician, employer, IME examiner, claim manager and occupational nurse consultant
- Ensure that right questions are asked and appropriate information provided including prior medical, appropriate diagnostic and job analysis information (e.g., x-ray, MRI, lab tests) including developing process(es) / audits if required
- Evaluate IME examiner training effectiveness for improvement purposes

Introduction

This is a summary report of a study of the independent medical examination (IME) process conducted by MedFx, LLC for the State of Washington Department of Labor & Industries (L&I). The purpose of the study is to improve the quality of IMEs to better serve the injured worker, employer, attending physician, and L&I.

The complete study includes several deliverables that are summarized here. The study is comprised of four parts:

- An assessment of the IME process in Washington
- A comprehensive review of perceived best practices from a survey of industry leaders and a literature review
- A comparison of best practices to current L&I practices
- A structured process to formulate and prioritize recommendations for improvement

The assessment phase, reported on in Deliverable 2, presents an overall problem definition and analysis based largely on an assessment of the current IME process. The participants in the IME process include L&I, self-insured employers and their third-party administrators, a set of intermediary companies we call brokers or IME vendors (sometimes called panels or panel companies in Washington), and independent physician examiners along with injured workers and their attending physicians.

The comprehensive review of preferred practices from the survey of industry leaders and the literature review were reported on in Deliverables 3b and 4, respectively. These results were integrated into a discussion and comparison of preferred practices to current L&I practices in Deliverable 6.

The structured process served as the foundation for Deliverable 7, in which recommendations were formulated, prioritized and prepared for L&I.

Overview of Methodology

The **assessment** phase of the IME process in Washington consisted of four steps:

(1) We interviewed multiple stakeholders, both direct IME process participants and those who "own" or observe the process or rely on the information obtained from IMEs. The purpose of the stakeholder interviews was to gather information about the current process and perceptions of its purpose, strengths and shortcomings, and to develop specific questions for the following steps.

We then performed three studies on a subset of about 300 L&I open and closed claims with IMEs billed for during the year 2000, drawn from a larger sample of 7112 cases involving soft tissue conditions of the low back, shoulder and wrist:

(2) A survey of the injured workers who had filed the claims. The survey included questions about the scheduling process, the examination process, and satisfaction and opinions about the IME process.
(3) A survey of the attending physicians of the injured workers who had filed the claims.
(4) A detailed audit of 284 IME reports obtained on the claims referenced above as well as a review of the letters requesting the exams.

Best practices research

The perceived best practices from the survey of industry leaders were identified from structured telephone interviews of medical directors and senior claims officials at well-regarded insurers and self-insured employers, and officials at comparison state workers' compensation departments. Participants were identified in collaboration with L&I. Participants included four of the five largest national workers' compensation carriers, two carrier/TPA organizations in the western United States, four large state funds, and two of the largest third party administrators in Washington. We also spoke with risk or claims managers at four large self-insured companies in Washington.

Also included were regulators in states reported to have relatively low rates of IME use, relatively high cooperation by attending physicians, low IME-related costs, or that were believed by industry experts to be good models for dispute resolution or IME quality management systems. We interpreted low rates of IME use as a possible indicator of success at acquiring information by other means. These states were California, Colorado, Connecticut, Indiana, Kentucky, New Jersey, Texas, and Wisconsin. Finally, we interviewed experts familiar with the workers' compensation systems in Canada, Australia and New Zealand, which have considerable similarity to those in the U.S.

For the literature search, summarized in Deliverable 6, the investigators used computerized, key-word searches for relevant peer-reviewed articles, books, trade articles and web sites. We searched the National Library of Medicine using its PubMed software. We searched the Lexis, Nexis, LoisLaw and Legal Information Institute databases, and used LawCrawler and FindLaw to identify relevant legal studies. We used search engines such as Google, Northern Light, and Yahoo to search economic literature, public policy, the trade literature and web pages.

When conventional search strategies failed to yield substantial numbers of quantitative studies, we contacted a number of knowledgeable industry participants to see if they were aware of proprietary materials or studies we had not found. We also contacted a number of publishers of insurance manuals and materials.

The comparison of perceived best practices to current L&I practices was accomplished in a matrix format, organized by each step in the IME process. The matrix starts on page 32.

MedFx conducted a structured process with L&I management and staff to identify recommended actions. The process included constructing and weighting a set of criteria to use in prioritizing the recommended actions. Representative criteria include setup cost, on-going cost, staff requirements (FTEs), time to implement, impact on organizations internal to L&I, and impact to organizations external to L&I.

Overview of Findings

Based on the wide-ranging literature review and industry survey of best practices, Washington appears to stand out in the workers' compensation insurance field in three main ways:

A large number of IMEs. L&I obtained approximately 30,000 IMEs in calendar year 2000, with direct costs for exams of $17.5 million. Expressed as a percentage of total claims handled, this is proportionally much higher than the usage rate for comparison jurisdictions. The vast majority – estimated at 80% -- of these examinations are performed primarily to obtain ratings as part of the claims closure process. Other jurisdictions use other techniques for that purpose.

A heavy reliance on IME brokers. A group of intermediary companies that we call brokers or IME vendors handle many of the clinical and administrative tasks in the IME procurement process, and provide about 95% of IMEs for L&I. This situation is not common in other states or with other claims payers.

A large majority of panel (multi-examiner) exams. A panel IME consists of a single examination conducted and reported on by 2 or more examiners. The majority of L&I's IMEs -- about 65% -- are panel exams. The practice in Washington is for the IME brokers to arrange for the panel exams to be conducted in their examination facilities. Other states and payers tend to reserve the use of panel examinations to a very small number of very complex claims, and to conduct exams in physicians' offices.

Washington's problems with the IME process and the independent medical examinations and reports themselves do not seem unusual compared to existing national and industry practices. However, the level of detail or degree may be improved. There are many issues worthy of consideration. In particular, several factors in Washington combine to create powerful incentives for physician examiners to do as many IMEs with minimally acceptable quality as possible:

- the lack of any systematic performance tracking capability by L&I
- the absence of explicit performance and quality standards (and their enforcement by L&I)
- low net payments to examining physicians relative to the work required by regulation for IMEs.

To date, the IME process has in general not been subject to systematic study or comparative analysis virtually anywhere. Our extensive search for formal best practices studies in this area confirmed the absence of published studies. Because IMEs are thought of as a claims management tool rather than as part of the medical care process, they have thus far not been subject to healthcare quality management research and improvement efforts.

Process Summary

In brief, the current L&I IME procurement process consists of 10 major steps.

(1) An L&I claim manager decides to obtain an IME
(2) A claim manager composes an exam request letter using a standardized form and established content
(3) Letter and microfiche sent to scheduler
(4) An L&I scheduler arranges the exam, usually by contacting an IME broker,
(5) Scheduler sends complete microfiche records to the IME broker or examiner
(6) The exam is conducted
(7) The IME report is prepared
(8) The claim manager receives the IME report
(9) The IME report is evaluated and a supplemental report is requested, if necessary
(10) The claim manager authorizes payment of the bill for the IME.

There are also 4 adjunct steps:

(11) L&I authorizes examiners
(12) The IME brokers schedule time with authorized physician examiners,

(13) L&I's quality assurance program responds to complaints about IMEs from injured workers, and
(14) L&I conducts extensive training programs on specialized topics as a component of its outreach to the physician community.

There are specific problems occurring often enough at each of these steps to create opportunities for system-wide improvement. The details of those potential improvements appear in Deliverable 6 from this project. The net result is that the current multi-step and multi-participant IME procurement process:

- creates at least one problem for the majority of injured workers,
- fails to consistently deliver appropriate information to the examining doctor, and
- fails to consistently deliver high quality IME reports to the claim manager.

Legal Summary

A number of statutes and regulations form the legal framework for the performance and quality of independent medical examinations in Washington. The Director has broad authority to establish standards for the conduct of medical examinations. Pursuant to this Code provision, WAC 296-20-210 lists "…general rules establish[ing] a uniform standard for conducting examinations and submitting reports of examinations. These general rules must be followed by doctors who make examinations or evaluations of permanent bodily impairment." The administrative rule requires, for example, that only certain licensed practitioners can perform examinations.

The Department has the responsibility to monitor the quality and objectivity of medical examinations (RCW 51.32.114). This responsibility includes credentialing and implies affirmative review of reports as well as the IME process.

Inter-jurisdictional Comparisons of Reimbursement Fee Basis

Our review of the distribution of tasks and fees under the Washington system show that no other jurisdiction outsources the tasks associated with IME procurement and management to the extent accomplished in Washington. Comparative fee evaluations are of less value since they typically have not adjusted for the outsourced activities and thus have not accounted for the substantial differences between jurisdictions. We have identified the following nine component activities in the IME process that need to be accounted for in comparative fee evaluations:

(1) case analysis,
(2) scheduling,
(3) examiner recruiting,
(4) credentialing and training,
(5) organizing medical records,
(6) records review,
(7) the examination,
(8) the report on the examination, and
(9) quality management processes.

Some jurisdictions and fee systems separate the records review and report writing components by the IME physician.

We believe, based on interviews with panel companies and claim managers, that approximately 50% of the fee paid to a panel company reaches the examining physician. The actual amount varies by specialty. This places the fee to the physician at a lower level than many jurisdictions or for other types of care.